



Trade Facts

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Korea and the States

Korea is the world's 11th-largest economy, and is the United States' 7th-largest trading partner. In 2006, no state recorded less than \$10 million in goods exported to South Korea; and nationwide exports totaled \$32.5 billion.

- South Korea was a top-10 market for twenty-nine states in 2006, including Missouri and Alaska (#2), Oregon (#3), Texas and Vermont (#4), and California, Idaho, Maine and Washington (#5).
 - Alaska increased its mined exports to South Korea by more than \$80 million, and its fishing, hunting and trapping exports by more than \$40 million in 2006.
- Nine states increased their exports to South Korea by more than \$100 million in 2006:
 - Missouri's exports to South Korea grew by more than \$1 billion, accounting for nearly half of the state's export growth.
 - California increased its exports to South Korea in each of its top 10 export categories, led by a nearly \$300 million increase in exports of machinery manufactures.
 - Texas increased its exports to its fourth-largest market by over \$700 million, led by significant increases in exports of computers and electronic products and machinery manufactures.
 - Louisiana added \$300 million to its exports to South Korea, led by crop production and chemical manufactures.

The KORUS FTA will make the states' products and services even more competitive in South Korea's trillion-dollar market:

- Nearly 95 percent of bilateral trade in consumer and industrial products becomes duty-free within three years of entry into force of the Agreement, with virtually all remaining tariffs eliminated within 10 years.
- The agreement includes a broad range of focused provisions designed to open up Korea's auto market to U.S. cars and ensure that U.S. cars have a fair opportunity to compete in Korea.
- More than half (\$1.6 billion) of current U.S. farm exports to Korea will become duty-free immediately, including North Dakota's wheat, Iowa's feed corn and soybeans for crushing, Alaska's hides and skins, and Alabama's cotton, plus a broad range of high value agricultural products such as California's almonds and pistachios, Florida's orange juice/frozen orange juice concentrate, and Washington's fresh cherries.
- Korea vastly improved upon its WTO commitments in services, providing meaningful market access commitments across virtually all major service sectors, including for New York's lawyers, Florida's bankers, and Kentucky and Tennessee's express delivery providers among others.

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Other issues of interest to state-level stakeholders:

- Procurement - Since South Korea is already covered by the WTO's Government Procurement Agreement, the U.S. made no request of the states to sign on to additional commitments in the KORUS FTA.
- Investment - Pursuant to the Trade Promotion Authority (TPA) statute and consistent with U.S. legal principles and practices, the agreement provides U.S. investors in Korea with substantive and procedural protections that foreign investors currently enjoy under the U.S. legal system. These include due process protections and the right to receive fair market value compensation for property that is the subject of an expropriation. The agreement also ensures that South Korean investors in the United States are "not accorded greater substantive rights" than U.S. investors receive under U.S. laws.

The agreement's investor protections are backed by a transparent, binding international arbitration mechanism, under which investors may, at their own initiative, bring claims against the South Korean government for an alleged breach of the chapter. Submissions to investor-state arbitral tribunals will be made public, and hearings will generally be open to the public. Tribunals will also be authorized to accept *amicus* submissions from non-disputing parties.

- Services – The Services Chapter contains the same core set of provisions found in all US services agreements and applies to all services except those supplied in the exercise of governmental authority in a Party's territory. A "service supplied in the exercise of governmental authority" means a service that is supplied neither on a commercial basis, nor in competition with one or more service suppliers.

The Agreement continues US policy of grandfathering all existing state and local measures that are inconsistent with provisions on national treatment, most-favored nation treatment, market access and local presence. This approach also applies to amendments to such measures provided they do not decrease the conformity of the measure.

- Pharmaceuticals - The KORUS FTA includes commitments to improve the access of U.S. innovative and generic pharmaceutical products and medical devices to the South Korean market, requiring transparent, predictable, and non-discriminatory pricing and reimbursement of these products. The KORUS Pharmaceutical Products and Medical Devices Chapter does not cover state healthcare programs and explicitly excludes Medicaid from its coverage, thus the chapter does not have any implications for state policies.

2006 - Top 10 States Exporting to South Korea

State	2001	2002	2003	2004	2005	2006
California	5,034,854	4,711,814	4,833,318	5,912,142	6,344,767	7,046,016
Texas	1,765,710	2,031,995	2,777,313	5,022,075	4,622,776	5,339,094
Washington	2,131,280	2,056,226	1,673,219	2,061,066	1,793,995	2,494,624
Missouri	79,747	114,987	83,723	113,432	571,692	1,646,512
Oregon	829,314	1,169,561	1,363,309	1,122,296	1,308,172	1,288,373
New York	880,165	1,038,137	1,056,106	1,167,628	1,423,988	1,274,297
Massachusetts	491,004	471,232	558,335	645,921	794,279	874,905
New Jersey	725,731	680,242	562,194	657,640	670,114	848,923
Louisiana	549,532	547,766	625,825	728,460	537,168	834,739
Alaska	463,091	416,640	566,810	579,610	683,537	725,682

Source: U.S. Department of Commerce – <http://tse.export.gov>